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RUEAAIA/CIA WASHINGTON DC PRIORITY  
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C O N F I D E N T I A L SECTION 01 OF 03 HAVANA 000763

SENSITIVE  
SIPDIS

STATE FOR WHA/CCA AND WHA/PD  
STATE FOR DRL CNEWLING

E.O. 12958: DECL: 12/20/2019  
TAGS: PREL, PHUM, PGOV, ECON, EAID, CU  
SUBJECT: CUBA PASSES UP YET ANOTHER OPPORTUNITY TO UNVEIL

REFORMS

REF: A. HAVANA 623 (CHANGES NO SUBSTITUTE FOR SHAKEUPS)  
B. HAVANA 477 ("RAUL CASTRO DELAYS PARTY CONGRESS")  
C. HAVANA 631 ("THE GOC TELLS CUBANS TO FEND FOR THEMSELVES")  
D. HAVANA 666 ("PRIVATE FARMERS' MARKETS PUT ON ALERT")  
E. HAVANA 494 ("THE EXIT PERMIT")  
F. HAVANA 736 ("HUMAN RIGHTS DAY TURNS VIOLENT")  
G. HAVANA 739 ("GOC PROTEST HUMAN RIGHTS DAY EVENTS")

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Classified By: Principal Office Jonathan Farrar for reasons 1.4 (b) and (d).

1. (C) Summary: Even with expectations already below sea level, the National Assembly session that wrapped up on December 20 was a considerable disappointment. In the absence of a Communist Party Congress, or even a Conference, some had hoped that the GOC would take advantage of the legislative session to unfurl, or at least shed light on, the political and economic reforms that have been expected since Raul Castro became President in 2008. Instead, Castro lashed out against the United States, politicized the arrest of an Amcit and belittled civil society - all, he said, in response to the Secretary's recent comments on Cuba. The National Assembly also elected as vice-presidents a stern colleague from Castro's rebel days and its top anti-corruption official, and brought into the Cabinet a woman who led violent mobs against Human Rights Day demonstrators two weeks ago. End Summary.

NO INDICATION OF WHERE THE GOC IS TAKING THE COUNTRY

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2. (C) By now most prognosticators of reform have lowered their expectations. The inability of the all-powerful Communist Party (CP) to convene its first Congress since 1997, or even a modest party conference, has dampened hopes that President Raul Castro would match his talk of reforms with action. (Refs A, B) The December 20 National Assembly Session, and the days of committee work that preceded it, were a potential venue to announce reforms. It represented the largest gathering of government (GOC) notables since the previous, and equally uneventful, Session on August 1, 2009, and the last Session until the April 2010 Congress of the Youth Communist League.

CHANGE IS NEEDED, BUT MAANA

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3. (C) The lack of clear direction continues to grind the country's management to a halt, and its economic system is irremediably broken. On December 20, President Castro himself acknowledged that a new model is necessary. He devoted three quarters of his speech to the "economic challenges" that are testing the "capacity of the country to withstand" the situation. And yet, once again he punted. Although Castro acknowledged that it was high time for these major reforms, these would have to wait for more deliberations. "They can't be rushed or improvised," he stated. "Simply stated, we have no room for mistakes."

ITEMS KEEP ACCUMULATING ON CUBA'S WISH LIST

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4. (C) By now, the list of options that are privately and not-so-privately under discussion is getting long. Allowing

real estate ownership or land-use rights to foreigners was one that many contacts cited as the most likely to come out of the December Session. Other potential reforms include changes to the ration system (Ref C), easing restrictions on private sector activity (Ref D), private property ownership (Septel), exit permits (Ref E), improving the investment climate and rules, allowing mass internet access, and eliminating the reviled dual currency system (Septel). The last one became so loud that the National Assembly committees had to go public to quash rumors that the ALBA's Sucre would be adopted as currency in Cuba.

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NO PLANS ENVISIONED UNTIL AFTER APRIL

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5. (C) Conventional wisdom in Cuba has it that the GOC will hold out on announcing more changes until it can convene a CP Congress or, more likely, a Conference sometime after the Communist Youth League Congress on April 3-4. Some long-time observers think that there is little sense in the PC holding a Congress as long as the old guard (which includes and is led by the Castro brothers) remains active in politics. Therefore, reforms are more likely to be rolled out quietly throughout 2010, they say. However, Raul Castro's address to the National Assembly, which included a return to five-year plans starting in 2010, seems to hint once again that changes will be announced in the near future. The bottom line is that reforms continue to be discussed in the future rather than present tense.

ESCALATING THE ANTI-US RHETORIC INSTEAD

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6. (C) Reforms weren't in the cards at the National Assembly Session, but U.S.-bashing was, and as stridently as it has been since President Obama took office. Castro linked the arrest of an Amcit (Septel) to our human rights programs (the first time the GOC publicly acknowledged the arrest), and criticized U.S. observance of Human Rights Day marches (Ref F, G). He belittled Cuba's "civil society" (interestingly, using that term) as enemies of the country. "Consider this my response" to the Secretary's recent comments on Cuba, on December 14, he declared. That said, Castro then claimed continued interested in improving relations with the United States.

OLD GUARD PROMOTED TO VICE PRESIDENCIES

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7. (C) The most prominent promotion to Vice President is Castro rebel colleague Ramiro Valdes, currently Cuba's Computers and Informatics Minister and a member of the Politburo. Valdes, 77, acquired notoriety as Interior

Minister in the late 60s and 80s. Once thought to have fallen out with the Castros, he has been on a steady comeback this year, brought back into a public government role and featuring prominently as the GOC point man for frugality and self-reliance (Ref C). Joining the gruff rebel commander as Vice President is Cuba's Controller and anti-corruption crusader, Gladys Bejerano. The 62 year-old, with a reputation for humorlessness to rival Valdes', becomes Cuba's highest-ranked woman. Relatively unknown, Bejerano was promoted to the newly created position of Comptroller last August. Bejerano and Valdes replace former Vice Presidents Carlos Lage, who was spectacularly fired in March 2009, and former rebel commander Juan Almeida, who died in October. Cuba has five Vice Presidents.

#### REWARDS FOR ECONOMIC FAILURE AND LEADING MOBS

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8. (C) Also promoted to the Council of Ministers, a governing body akin to a Cabinet, was Economy and Planning Minister Marino Murillo Jorge. The 48 year-old technocrat has been doing his best impersonation of an economic czar, but has little to show for his efforts (Septel). Another new Councilmember is Youth Communist League First Secretary Liudmila Alamo Duenas. According to press and eyewitness reports, Alamo Duenas led her young communists in a fiery counter-demonstration against Human Rights Day marchers on December 10. Alamo Duenas was given the task of harassing and following the Ladies in White (Damas de Blanco), a group of spouses and relatives of prisoners of conscience, all the way to the residence of founder Laura Pollan. In order to enter the house, the Ladies were forced to run a gauntlet of counterdemonstrators who rained blows on them. Both Murillo and Alamo are substantially younger than their holdover Cabinet colleagues.

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#### NO ROOM FOR MISTAKES, NO TIME TO WASTE

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9. (C) The lack of clarity about which reforms are under consideration, how far they may go or when and how they may be enacted is paralyzing government management at every level, especially among the already risk-averse officials that run virtually all economic activity on the island. The quagmire is not helped by the few piecemeal plans that are floated only to be shelved without explanation. The GOC's timidity is perplexing, especially when there are successful economic models like Vietnam that are equally disinclined to surrender one-party control and political freedoms. The longer that the GOC delays reforms that everybody knows it must make, the less likely it will be for those reforms to effectively pull Cuba out of its predicament.

FARRAR

=====CABLE ENDS=====